

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57835

ALDERWOOD WATER DISTRICT

Snohomish County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: November 8, 1996

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ALDERWOOD WATER DISTRICT
Snohomish County, Washington
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

Board of Commissioners
Alderwood Water District
Lynnwood, Washington

We have audited the financial statements, as listed in the table of contents, of the Alderwood Water District, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 10, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the district complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted an instance of noncompliance of regulatory requirements immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

September 10, 1996

ALDERWOOD WATER DISTRICT
Snohomish County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. District Officials Should Not Use District Credit Cards For Personal Transactions And District Credit Cards Should Not Be Used For Cash Advances

Contrary to the district's policy and state statutes, a former commissioner made two cash advances using an Alderwood Water District credit card. These withdrawals occurred on two separate days during September 1995. The cash advances occurred while the commissioner was on personal business. None of the cash advances were for authorized district business expenses. The advances and related fees totaled \$326.98.

The commissioner violated the *Revised Code of Washington* (RCW).

RCW 42.24.115(1) states in part:

Any municipal corporation may provide for the issuance of charge cards to officers for the sole purpose of covering expenses incident to authorized travel.

RCW 39.58.180(6) states:

Cash advances on credit cards are prohibited.

By using the district's credit card for personal use, the commissioner violated the district travel expense policy and credit card policy, which states in part:

VISA cards shall only be used for authorized travel expenses.

The district's controls were effective in identifying the transaction in a timely manner. The commissioner paid the VISA charges by cashier's check before the VISA bill was due.

We recommend that district officials use credit cards for their intended purpose as defined in the district's travel and credit card policy. We further recommend that cash advances be prohibited on a district credit card.

Auditee's Response

Alderwood Water District's Controller, Bob Marshall, responded to a preliminary draft of our finding in a letter dated October 9, 1996. The response follows.

This district VISA cards are available for travel purposes only, while on authorized district business, and were authorized by district resolution pursuant to RCW 42.24.115. The former commissioner, who

is the subject of this audit finding brought in a Cashier's Check for the full amount immediately upon return from his personal trip. The district did not incur any expenses for this.

On October 7, 1996, District Commissioners amended district travel Resolution No. 2283-95 stating that "No Cash Advances Will Be Allowed On Credit Cards" as required by RCW 39.58.180(6) which was enacted by the 1995 Legislature. All District personnel using District VISA Cards have been, and will be, informed of these provisions.

District commissioners and staff also agree that district VISA cards should be used for authorized travel purposes only. The proper notifications will be made to all applicable personnel in the district.

Auditor's Concluding Remarks

We appreciate the officials' commitments to resolve the issue noted in our finding. Based on the response, the recommendation is being addressed and we will review this area in our next audit of the water district.

ALDERWOOD WATER DISTRICT
Snohomish County, Washington
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Financial Statements

Board of Commissioners
Alderwood Water District
Lynnwood, Washington

We have audited the accompanying financial statements of the Alderwood Water District, Snohomish County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, as listed in the table of contents. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alderwood Water District at December 31, 1995 and 1994, and the results of its operations and cash flows for the fiscal years then ended, in conformity with generally accepted accounting principles.

We have also issued a report dated September 10, 1996, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

September 10, 1996